VENEZUELA – NAVIGATING THE STORM

Venezuela's position is politically and economically opaque, but given the humanitarian problems in the country, many predict that it is only a matter of time before Venezuela defaults systematically on its debts or starts serious restructuring discussions. The country's creditors need to think now about their plans and strategies for dealing with whatever might eventually emerge.

Key issues

- Background
- Sanctions
- The Republic's bonds
- The Republic's oil warrants
- PDVSA's bonds
- Selected Venezuelan law issues
- Plans and strategies
- Conclusion

"In preparing for battle I have always found that plans are useless, but planning is indispensable", according to Dwight D Eisenhower. Those owed money by Venezuela may feel that restructuring is not far over the horizon. Venezuela was hardly a star economic performer in the latter part of the last century, but nearly twenty years of chavismo has brought the country to what seems like a permanent political, economic, financial and social crisis, with its ability to service its debts now seriously in question. The IMF was even reported by the *Financial Times* to have "begun preparations for a possible rescue of Venezuela that could require $30bn or more in international help annually". Faced with this, creditors need to consider their strategies, whether for restructuring or enforcement, but they must do so against a background that is at best obscure.

BACKGROUND

It is a truism that Venezuela, the country with the highest established oil reserves on the planet, should be rich and successful. But it's not. Neither the Republic nor the state-owned oil company (PDVSA) is currently in confirmed open default to its financial creditors (though both have continued over recent months to make full use of grace periods in bonds, and have even paid after the expiry of grace periods) but speculation abounds that one or both of default and restructuring is inevitable. Venezuelan politicians have long regarded meeting external indebtedness as more important than the humanitarian and political needs at home despite a fall in GDP of almost a third between 2013 and 2017, according to the IMF, and a fall in median income and imports of well over a half (though all figures are suspect). But how long will or can this continue? There may, indeed, be signs that it has already changed.

However, what is necessary, feasible or even remotely possible in the case of Venezuela is a mystery. The uncertainties surrounding Venezuela's position and plans are legion, including:

- What is Venezuela's external indebtedness? Recent SEC filings by Venezuela put the figure at US$47 billion, but commentators' estimates tend to be in the range US$150-200 billion (though it's not always clear whether the numbers include only financial indebtedness or add in trade debts). The position is further obscured by significant debts owed under bilateral arrangements with Russian and Chinese entities (said by some to approach US$40 billion) who may expect favourable treatment for standing by an ally in its time of need, by PDVSA's apparently liberal use of promissory notes to satisfy its creditors, and by expropriation claims against the Republic by foreign investors.
- PDVSA is often said to owe about 30% of Venezuela's external indebtedness. PDVSA is the source of at least 95% of Venezuela's foreign currency earnings and 50% of its revenue, and, as such, is vital to Venezuela's economy. But PDVSA's oil production has been declining, starting 2017 at 2.25 million b/p/d and ending the year at 1.8 million b/p/d (a 20% decline). Further, in November 2017 much of its top management was replaced (for alleged corruption) by military officers. Does the new management have the technical expertise to run a major oil company and to boost output?
- On 2 November 2017, Venezuelan President Nicolas Maduro announced an intention to restructure Venezuela's debts, though only after PDVSA had made a payment of US1.3 billion. No details of what might be proposed were vouchsafed either then or at a subsequent meeting of creditors in Caracas on 13 November 2017 (international creditors' attendance at this meeting was thin, not least because Venezuela's restructuring effort is currently being led by Vice-President Tareck El Aissami, who is a Specially Designated National under US sanctions: see below).
- On 16 November 2017, ISDA's Determinations Committee for the Americas decided unanimously that both the Republic and PDVSA had committed Failure to Pay Credit Events within the meaning of ISDA's Credit Derivatives Definitions (though the missing payments were later made). As a result of this, those who had entered into credit default swaps or bought similar credit protection on Venezuela were entitled to call in that protection.
- On 3 December 2017, President Maduro announced that Venezuela would create a cryptocurrency backed by oil, gas, gold and diamond reserves as part of an attempt to circumvent the effect of US sanctions. Announcements later in the month suggested that it would be called the "Petro" and would be backed by 5.4 billion barrels of oil. What this means is wholly unclear, but further announcements have followed (see below).
- Sovereign debt restructurings generally involve a debt sustainability analysis, typically by the IMF, but Venezuela has effectively cut off relations with the IMF. As a result, the IMF has not done an assessment of the Venezuelan economy in more than a decade, and Venezuela is not in compliance with its IMF data provision obligations. Much essential information is not available and what is available is of questionable accuracy.
- Both Venezuela and PDVSA bonds continued to trade throughout 2017 with accrued interest. On 8 January 2018 EMTA issued a new Market Practice recommendation for the Republic of Venezuela's bonds effective 9

January 2018. This recommends that Venezuela's bonds should trade flat which is consistent with a typical payment default scenario. Note the new recommendation does not apply to PDVSA's bonds.

- Presidential elections are due in 2018 and a change in government could affect all aspects of the current position.
- The current administration has made efforts to implement a complex institutional and legal framework which would make any debt restructuring arrangements impracticable without political agreement within Venezuela itself, especially if there is a change in government.

In trying to make sense of the position and to work out their options and strategies against this political and economic backdrop, creditors need to take into account the strengths and weaknesses of their legal position, as well as legal impediments.

Venezuela is not short of informal legal advice in this area. Numerous papers can be found suggesting imaginative ways in which Venezuela might persuade creditors to restructure its debts. These have included PDVSA pledging all its assets to the Republic as part of an exit consent scheme to induce PDVSA's bondholders to accept the Republic's debt in place of PDVSA's; changing the obligor on PDVSA's bonds; transferring PDVSA's oil assets to another entity; an English law scheme of arrangement; and the use of chapter 11 or chapter 15 of the US bankruptcy code. Some have argued that the Republic's debts should be restructured, but not PDVSA's, in order to reduce any jeopardy to Venezuela's primary source of foreign currency; others have argued that the two are indistinguishable, and should stand or fall together; others still favour restructuring PDVSA's obligations alone.

Whatever Venezuela chooses to do will raise significant challenges – constitutional, legal and political, as well as financial – for Venezuela and any international agencies that might become involved, let alone for Venezuela's creditors. Given the importance of PDVSA to the Venezuelan economy and the absence of collective action classes in PDVSA's bonds (see below), it might be easier to focus restructuring efforts on the Republic's debts, but even in that scenario PDVSA cannot be ignored because PDVSA is so critical to the Venezuelan economy. Any attempts to secure agreement to a restructuring and to restore Venezuela's international standing must include measures that are seen to end corruption at PDVSA and to restore its productivity. (See box on page 4 for some techniques that might be available to execute a restructuring if permissible under the sanctions.)

What direction Venezuela will take – or whether its current stasis will continue - is unclear. But creditors need to be on the ball.

Sanctions

A key factor that anyone with a connection to the US must consider is the impact of US sanctions on what they can do with regard to Venezuela. As of 25 August 2017, unless licensed by the US Treasury Department's Office of Foreign Assets Control (OFAC), Executive Order 13808 prohibited the involvement of US Persons and the US financial system in any "*transactions related to, provision of financing for, and other dealings in*":

- New debt of longer than 90 days of PDVSA;
- Except for PDVSA, new debt of longer than 30 days of the Government of Venezuela or any entity owned or controlled by it (the GoV);

Mineral and hydrocarbon deposits are property of the Republic and are inalienable and not transferable under Article 12 of the Venezuelan Constitution.

In addition, in the Constitution:

- Article 302 provides that "The State reserves to itself, through the pertinent organic law, and for reasons of national expediency, the petroleum industry and other industries, operations and goods and services which are in the public interest and of a strategic nature (…)."
- Article 303 provides that "For reasons of economic and political sovereignty and national strategy, the State shall retain all shares of Petróleos de Venezuela, S.A. or the organ created to manage the petroleum industry, which the exception of subsidiaries, strategic joint ventures, business enterprises and any other venture established or coming in the future to be established as a consequence of the carrying on of the business of Petróleos de Venezuela, S.A."

- New equity for the GoV;
- GoV bonds issued prior to 25 August 2017;
- Dividend payments or other distribution of profits to the GoV by any GoV-owned or controlled entities; and
- Purchases of securities of any kind, including securities issued by third parties, from the GoV.

In the run up to these sanctions, OFAC had already imposed a blocking requirement on property and interests in property of the President of Venezuela and many other prominent persons in Venezuela designated by OFAC as Specially Designated Nationals (SDNs), as well as any entities owned 50% or more, directly or indirectly, by such SDNs (collectively, Blocked Persons). These blocking sanctions prohibit the involvement of US Persons and the US financial system in "*the making of any contribution or provision of funds, goods, or services by, to, or for the benefit of any [Blocked Persons*]" or "*the receipt of any contribution or provision of funds, goods, or services from any such person*".

Under these sanctions, "US Persons" include all entities organized under US law (including their non-US branches), all persons in the United States, and all US citizens or US green card holders. OFAC also imposes sanctions compliance obligations on non-US persons in regard to any dealings by them that involve US Persons or the US financial system (collectively, US Elements).

Under the sanctions, there are certain exceptions (eg for very short term new debt issues) and general licenses, and it is possible to seek a specific licence from OFAC for activities if the US government can be persuaded they serve US national interests. For example, OFAC has advised that: *If the democratically elected Venezuelan National Assembly approved a new debt issuance by the Government of Venezuela that E.O. 13808 would prohibit U.S. persons from dealing in, the United States would consider using licensing authority to allow U.S. persons to deal in the issuance*.[1]

Even without an OFAC license, the US sanctions would not prevent a creditor from taking enforcement proceedings in response to a default. However, the US sanctions would prohibit the involvement of US Persons and the US financial system, without an OFAC license, from participating in the steps involved in a typical consensual restructuring if such restructuring would constitute a form of new debt according to OFAC guidance.

These issues are magnified by the identification of relevant Venezuelan officials (including President Maduro and Vice President El Aissami) as SDNs. US Persons are prohibited from all transactions and dealings with SDNs. OFAC has said this extends to negotiations or other dealings with an SDN involved in efforts to restructure Venezuela's debts, or even entering into a contract with, for example, PDVSA which is signed by an SDN.

The EU has imposed far more limited sanctions on Venezuela (Council Regulation (EU) 2017/2063). These are confined to prohibiting the supply of military equipment, equipment that might be used for internal repression and related services. The Regulation includes the ability to freeze the assets of certain individuals, but that power has yet to be exercised.

Techniques that might assist in bringing about a restructuring include:

- exchange offer (new bonds with preferred payment profile and additional consideration eg oil/GDP linkage). As discussed in this Briefing, Venezuela has issued oil warrants in the past and this type of instrument could be used to provide upside to investors asked to participate in some form of debt relief. An exchange offer could also be combined with exit consents to change certain non-payment terms of non-participating bonds to make them less attractive
- consent solicitation (amend bond terms in order, for example, to push out maturities/interest deferral)
- debt buy back, including modified Dutch auction. Whilst current secondary market prices are depressed, Venezuela would nevertheless need sufficient funds (see box titled "*Ecuador Debt Buyback*")
- repackaging vehicles to consolidate holdings (see box titled "*Repackaging Vehicle – The case of ABRA*")
- international initiative (see box titled "*UNSCR Resolution –The case of Iraq*")
- domestic legislation in respect of state owned company (but foreign law governed debt would have the benefit of contractual protections)

[1] https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#venezuela

The Republic's bonds

If the Republic were to default, the remedies of individual bondholders would depend upon the terms of the bond in question. The Republic's bonds are New York law governed, and adopt a fiscal agency structure. These may, for example, require bondholders holding 25% of the bonds to request the acceleration of the bonds (if bondholders think that acceleration will have practical benefits), but may allow individual bondholders of bonds that have suffered payment defaults of principal or interest to sue for overdue amounts. The Republic's bond issues generally include a submission to the jurisdiction of the New York courts and the English courts (as well as courts in Caracas), and include waivers of sovereign immunity.

In the event of a default by the Republic, it may be possible to obtain judgment against the Republic in London or New York (and a judgment obtained in one is likely to be enforceable in the other, subject to taking the required procedural steps). Securing a judgment is, however, different from obtaining payment. Enforcement against sovereigns is difficult because sovereigns tend to have few visible assets capable of attachment outside their territories, as the long-term attempts to enforce judgments against Argentina showed (enforcing in a sovereign's home territory is seldom feasible).

Discussion of enforcement against the Republic has tended to focus on whether, as a matter of US law, PDVSA's assets can be seized in payment of the Republic's debts on the basis that PDVSA is an alter ego of the Republic (under English law, the courts have set the bar for this kind of argument very high: *La Générale des Carrières et des Mines v FG Hemisphere Associates LLC* [2012] UKPC 27). The most obvious asset for these purposes is PDVSA's indirectly owned Citgo refining business, based in Houston, Texas, though its shares have already been pledged as collateral for one bond issue and in favour of Russia's Rosneft in a separate transaction.

Nevertheless, the existence of a judgment would bring pressure on the Republic, which in the past has settled when attempts have been made to enforce judgments given against it. The highest profile example is that of Crystallex International Corporation, which obtained an arbitration award for US$1.2 billion against the Republic under the Bilateral Investment Treaty (BIT) between Canada and Venezuela following Venezuela's appropriation without compensation of a gold mine. The award was made in April 2016, and some 18 months later a settlement was reached with Venezuela in the light of Crystallex's attempts at enforcing the award in Canada, the United States and elsewhere.

Crystallex's experience has led some to suggest that bondholders might bring proceedings under a BIT rather than suing directly on the debt. This may be worth exploring, but any BIT claim is likely to face considerable difficulties. Not only are BIT cases generally slow: Crystallex's was relatively speedy at five years; a claim (*Abaclat*) against Argentina took almost ten years to fail to reach a conclusion before being overtaken by Argentina's general settlement with its creditors. In any event, the ability to bring a case depends upon the bondholder being in a country with a BIT with Venezuela (such as Canada, the UK, France or Germany) and the specific terms of the relevant BIT. In general, the bond must be an "investment" within the meaning of the BIT, and Venezuela's conduct must have been in breach of the terms of the BIT. Mere non-payment may not be enough. And even once an arbitration award is obtained, the same problems with enforcing the award apply.

Repackaging Vehicle – The case of ABRA

Argentine Bond Restructuring Agency (ABRA) And Sovereign Debt Solutions (SDS)

In late 2004 Argentina made an offer to its defaulted debt holders which closed in early 2005. Clifford Chance acted for SDS in the negotiation process associated with the ABRA held claims. Following the input of the International Advisory Board, ABRA accepted Argentina's offer. Reportedly, ABRA was the largest single creditor in the transaction which closed in early 2005.

1. ABRA was a special purpose vehicle company established to allow holders of defaulted debt instruments (predominantly bonds) issued or guaranteed by Argentina effectively to negotiate with Argentina as a block.
2. The overwhelming majority of participants in the structure were retail holders of Argentina bonds placed into the European sovereign debt market.
3. Under the ABRA structure an existing Argentina debt instrument was transferred to ABRA in exchange for a certificate. The certificates were listed and fully tradeable instruments.
4. Under the ABRA structure negotiations with Argentina were conducted by a negotiation team company.
5. There was also an international advisory board which advised ABRA on the results of the negotiation process.
6. Such a structure could be used in any sovereign debt negotiation where there is significant commonality of interest among creditors and a perceived benefit in creditors conducting negotiations as a block.

So far as restructuring is concerned, most (but not all) of the Republic's bonds include collective action clauses (CACs) (but not aggregated CACs), which allow the holders of 75% or 85% of the bonds in any particular issue to bind all holders of that bond to variations to its terms. CACs increase the need for creditor engagement, and could reduce the risk of a minority of creditors frustrating a restructuring, though the low price of the Republic's bonds may make it relatively easy for a bondholder or group of bondholders to buy a blocking minority in a particular issue.

UNSCR Resolution –The case of Iraq

Use of a United Nations Security Council Resolution (UNSCR)

Following Saddam Hussein's removal from office in Iraq in 2003, Iraq faced considerable challenges in seeking to restructure its high level of external debt. Much of this stock of debt was, by then, already in default.

The flow of oil from Iraq was, and remains, an important component in the world's oil market and there were concerns that serious disruptions to that flow, through attachments or otherwise, could disrupt world oil markets.

Initially through UNSCR 1483 (22 May 2003), all petroleum assets of Iraq were made immune from "any form of attachment, garnishment, or execution". The legal protections extended to the proceeds of sale of petroleum assets (with some limited exceptions). The duration of these immunities and protections was effectively extended through UNSCR 1546 (8 June 2004) (broadly, other than in respect of contractual obligations entered into by the new Iraqi regime).

The parallels with Venezuela, as another significant producer and exporter of crude oil are obvious. However, so are the differences. Post Saddam Iraq was heavily supported by the US, whereas the current regime in Venezuela is not.

Under the UN Charter, the Security Council has the main responsibility for the maintenance of international peace and security. UNSCR's can be vetoed by any permanent member, and this includes the US.

A UNSCR could be used to provide legal protection for crude oil, related products and the proceeds thereof emanating from Venezuela on the basis that this was necessary to ensure international peace and security. The importance of the ongoing flow of oil from Venezuela to the world oil markets would clearly be a factor in any such evaluation – is it feasible that the international community could be persuaded that the circumstances in Venezuela justified such a move and would there be the necessary convergence of views within the Security Council?

If taken, such a step would facilitate an orderly restructuring process as it would make the hold out option for creditors much less attractive.

Clifford Chance acted for the London Club Coordinating Group of creditors for Iraq.

Ecuador Debt Buy back

Use of a Modified Dutch Auction

In April 2009, Ecuador approached the holders of two series of its bonds, which were then in payment arrears with an offer to repurchase for cash.

The offer had a minimum price of 30 cents to the dollar and used a Modified Dutch Auction under which holders were able to bid at or above the minimum price.

Following the tendering process, Ecuador repurchased bonds at a clearing price of 35 cents to the dollar and gave holders with bids above 35 cents an opportunity to agree to sell at the clearing price. 91% of the bonds were retired in the first tender process. Subsequent offers followed in jurisdictions which were challenging, for regulatory reasons, to reach in the first tender process.

Clifford Chance acted for Ecuador in these debt buy backs.

Secondary market prices for both the Republic of Venezuela's bonds and PDVSA's bonds are currently at historic lows and so a buyback may seem attractive. However buybacks are cash intensive and this is likely to be a material constraint for Venezuela.

SELECTED VENEZUELAN LAW ISSUES

Local authorizations for restructuring public debt under Venezuelan law

- As a general rule, the Republic is subject to the control of the National Assembly (AN). In the first Instance by the enactment of the Annual Indebtedness Act. Additionally, any restructuring in excess of the limits set forth in the Annual Indebtedness Act, must also be approved by the AN.
- An exception to the requirement that the authorization of the AN be given for a restructuring is made when the new conditions are an improvement of the financial terms of the restructured debt (lower interest rates, reprofiling, improvement in cash flows, etc.).
- An important group of scholars are of the opinion that any restructuring of this magnitude should be considered a "contract of public interests" (as defined in the Venezuela's Constitution), and is subject to the control of the AN.
- As a general rule, PDVSA is excepted from the requirements set forth in the Public Debt Act. PDVSA needs only to demonstrate payment capacity by annually publishing a statement of financial obligations.

The Constitutional Assembly (CA) vs the AN

- The calling, formation and appointment of the members of the CA, is strongly questioned by an important group of scholars because of serious breaches of the National Constitution.
- Following its formation, the role of the CA has been debated extensively: according to some, the CA should be limited to the drafting of a new Constitution; others argue that the CA has Supra-Constitutional powers and, as such, can assume all public powers (including those of the President); for example, the CA enacted a "2018 Indebtedness Act".

PDVSA – nature – insolvency

- PDVSA is a state owned corporation, specially created to develop certain activities reserved to the State. PDVSA is specifically referred to in the Constitution as the entity created to develop the Petroleum Industry. PDVSA shares are wholly owned by the Republic.
- It has adopted the form of a corporation and, to some extent, is subject to private laws.
- There are no general laws or regulations governing the existence and operation of state owned companies such as PDVSA. There are regulations in several laws governing certain aspects of the operation and existence of such entities. In the case of PDVSA, there are no specific rules governing its insolvency. There are no precedents in Venezuela to help clarify the question of whether or not PDVSA could be subject to insolvency proceedings.
- Several questions arise from the duality of PDVSA as an entity of private law, and hence possibly subject to the insolvency rules in the Venezuelan Code of Commerce; and the constitutional holder of the right to perform activities of such public importance.

Petro – the Venezuelan Cryptocurrency

- In December 2017, by Presidential Decree No. 3,196, Maduro ordered the issuance of a Cryptocurrency called the "Petro" and the creation of the "Superintendency of CryptoAssets". As per the Decree, the Petro is intended to be backed by a contract to buy a number of commodities including oil, gas, diamonds, coltan and gold. Under the terms of the Decree, initially each Petro will represent one barrel of oil as priced by OPEC.
- The cryptocurrency "Petro" will have a value equal to a Venezuelan crude barrel and will be supported by the 5 billion certified crude barrels from Field 1 of the Ayacucho Block of the Orinoco Oil Belt.
- Rather than a Cryptocurrency, the Petro (as defined in the Decree), appears to be an asset backed by commodities that is intended to be traded electronically.
- The first issuance of Petros is scheduled to be made during January 2018, for a value of apparently 100 million of barrels in the certified oil reserves of the Ayacucho Block.
- Several questions arise on the issuance of the Petro: (I) the capacity of the government to dispose of the national oil reserves; (II) whether the Petro is deemed to bypass the legal and constitutional authorizations required to the Republic to issue public debt; (iii) would the Petro effectively be captured by the sanctions imposed by the US and Europe; (iv) who is the counterparty of the contract that is deemed to back up each Petro.
- Additional regulations are expected, that may clarify the issuance and existence of the Petro.

The Republic's oil warrants

The Republic issued oil warrants as part of its 1990 Brady deal. Various other financial instruments, some of which were collateralised, were issued as part of that transaction. However, all such instruments other than the oil warrants have now been redeemed; a significant amount were redeemed early in 2006.

In broad terms, payments are triggered on the oil warrants if Venezuela's oil export price is greater than a US producer price linked inflation adjusted strike price (measured in US$).

Payments on the warrants are subject to a force majeure. They are also subject to a cap of US$3 per payment and payments could be required to be made twice annually up to 2020.

The oil warrants are governed by New York law and include submission to jurisdiction and waivers of sovereign immunity broadly similar to those used in the Republic's bonds as described above.

PDVSA's bonds

The position of PDVSA is generally similar to that of the Republic, but there are some potentially significant differences, including the following.

First, PDVSA's business involves, ultimately, selling oil. It is more likely than the Republic to have assets outside Venezuela. Title to oil shipments will almost inevitably pass to a buyer before the oil leaves Venezuela, but that might still leave debts and the result of other financial dealings outside Venezuela. This is not to say that assets will be easy to identify, nor that PDVSA cannot take steps to make enforcement more difficult (eg arranging deals through related companies rather than directly), but it may be more obvious that an asset belongs, ultimately, to PDVSA.

Secondly, PDVSA's bonds do not include CACs. As a result, a super-majority cannot bind the minority to a major change in the terms of the bonds of the sort required for a restructuring. This would make it easier for bondholders opposed to the restructuring to holdout against it.

Thirdly, PDVSA's bonds will not be capable of acceleration because of a default by the Republic (the reverse is also true). PSDVA's bonds do not contain a cross-default clause triggered by a failure of the Republic to honour its obligations.

Fourthly, the PDVSA's bonds generally have a trustee structure. Any steps that bondholders want to take may therefore necessitate their giving the trustee an indemnity or other procedural steps.

Plans and strategies

Venezuela is not yet clearly in sustained default on its international financial obligations, though it appears that it regularly pays late. How long Venezuela can remain up to date, or at least nearly so, is unclear given the major financial, humanitarian and political problems it faces. The possibility of a major default cannot be ignored. If Venezuela were to default, the default would dwarf even Argentina's default of 2001, and any comprehensive restructuring would be more complex than the restructuring of Greece's debts.

Creditors need to think what their reaction might be to events. At the least, this will involve gathering all the documents relating to the indebtedness they hold in order to assess what rights they have, whether they need to liaise with

other bondholders, and whether a fiscal agent or similar might need to be involved. The strategy might be to sit tight in the belief that a restructuring will take place (even if only after political change in Venezuela) or, at least, that international mediation may encourage cooperation between relevant parties. Alternatively, the circumstances may make obtaining a quick judgment attractive in order to maximise the pressure on Venezuela. Venezuela does possess huge natural resources, which will be fundamental to whatever transpires.

And, for US Persons in particular, but more broadly, all transactions that require the involvement of US counterparties or the US financial system, must be consistent with US sanctions legislation.

Conclusion

Another aphorism is that no plan survives first contact with the enemy (von Moltke this time, rather than Eisenhower). It is impossible to predict how Venezuelan politics will develop and what Venezuela will do. Any strategy will require reconsideration and adjustment in the light of events and, for that reason, no avenues should be closed off at this stage. We advise getting as much of the thinking done now rather than to wait for the storm to intensify.

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